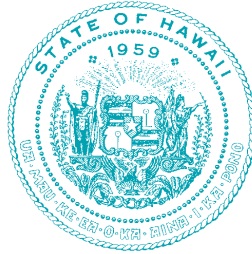


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# HAWAII TOURISM AUTHORITY

2002 Annual Report to the Hawaii State Legislature

October 31, 2002



## Letter from the Hawaii Tourism Authority

On behalf of the Hawaii Tourism Authority (HTA), it is our pleasure to present the HTA's Annual Report for the 2002 Calendar Year. This report describes the HTA's activities for the year, as it continues its role as the lead tourism agency for the State of Hawaii. It also communicates information on the tourism industry and its contributions to the State of Hawaii.

This report spans the first ten months of 2002, which was a period of review, evaluation, and changes. In summary, the HTA has undergone a careful and at times, painful review of itself—from people and programs, to operations and structures. Specifically, this year, the HTA:

- focused on building strong, effective operational structures at the board and staff levels,
- made improvements to existing programs and activities, and
- commenced efforts to develop accountability mechanisms for programs,

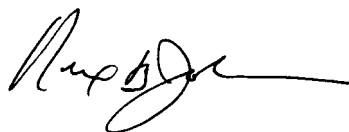
all for the purpose of delivering greater service to the public and greater economic return to the people and State of Hawaii.

According to the latest research, tourism in 2002 remains Hawaii's economic driver, providing 1 out of 5 of jobs and about 21 percent of the State's tax revenue. That revenue finds its way into every segment of our society, supporting schools, highways, police, and parks, and contributing to an improved quality of life for all. One of tourism's strengths, as an economic engine, is that it brings in new dollars to the State's economy rather than recycling existing dollars throughout the State. Also important is the fact that the taxes generated from tourism provide the State with an immediate economic return (i.e., within the same fiscal year). In addition to its economic benefits, tourism also helps to preserve local cultures and instill pride in residents as they share their culture and history with visitors. As such, the public dollars spent for tourism should be recognized as an investment, rather than an expense.

On behalf of the HTA, we extend a warm mahalo to all of our partners, the Legislature, Administration, visitor and business sectors, and the community-at-large for their contributions and commitment to making Hawaii the best place to live, visit and work.



Mike McCartney  
*Chair*



Rex D. Johnson  
*President & CEO*

# Hawaii Tourism Authority

(as of October 31, 2002)

## Members

## Representation

Mike McCartney, Chair  
President & CEO  
Hawaii Public Television

At-Large

Ron Wright, Vice-Chair  
Managing Director  
Sales and Marketing – Hawaii  
Continental Airlines

At-Large

W. David P. Carey, III  
President & CEO  
Outrigger Enterprises, Inc.

At-Large

Gilbert Coloma-Agaran  
Chair, State of Hawaii  
Board of Land and Natural Resources

Ex-Officio

David H. Gleason  
General Manager  
The Dunes at Maui Lani

County of Maui

Lawrence M. Johnson  
Chairman of the Board and  
Chief Executive Officer (retired)  
Bank of Hawaii

At-Large

Benjamin A. Kudo  
Chief Financial Officer and Director  
Imanaka Kudo & Fujimoto

At-Large

Brian Minaai  
Director, State of Hawaii  
Department of Transportation

Ex-Officio

Nadine Nakamura  
Principal  
NKN Project Planning

County of Kauai

Seiji F. Naya  
Director, State of Hawaii  
Department of Business,  
Economic Development & Tourism

Ex-Officio, At-Large

**Members** (continued)**Representation**

Lorrie Lee Stone  
Attorney-at-Law  
Rohlfing and Stone

At-Large

Sharon Weiner  
Group Vice President, Business Development  
Public Relations and Government Affairs  
DFS Hawaii

City & County of Honolulu

Keith Vieira  
Senior Vice President  
Director of Operations – Hawaii  
Starwood Hotels & Resorts Worldwide, Inc.

At-Large

Stephen Yamashiro  
Consultant

County of Hawaii

## **HTA Management**

Rex D. Johnson

President & Chief Executive Officer

Lloyd I. Unebasami

Chief Administrative Officer

Muriel A. Anderson

Director of Tourism Programs

Frank Haas

Vice President and Director of Tourism  
Marketing

Winfred Pong

Contracts and Program Manager

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# **I. Overview of the Hawaii Tourism Authority**

## **Background**

The Hawaii Tourism Authority (HTA) was established by Act 156, Session Laws of Hawaii 1998 (Chapter 201B, HRS), as the lead tourism agency for the State of Hawaii. As a cabinet-level agency, the HTA reports directly to the Governor and to the Legislature, and is attached to the Department of Business, Economic Development and Tourism (DBEDT) for administrative purposes.

As the lead entity and advocate for the tourism industry, the HTA:

- formulates short- and long-range tourism policy;
- administers programs and activities to foster and sustain a healthy tourism industry for the state;
- develops and monitors implementation of the Tourism Strategic Plan;
- coordinates tourism-related research, planning, developmental and promotional activities with the public and private sectors; and
- develops and implements the state's marketing plan and efforts.

## **Mission**

*To strategically manage the growth of Hawaii's visitor industry in a manner consistent with our economic goal, cultural values, preservation of natural resources, and community interests.*

## II. Organization of the HTA

The HTA Board of Directors is a policy-making board that is guided by a Chair and Vice-Chair who are elected by their peers for a one-year term of leadership. The HTA Board of Directors is a unique public/private partnership comprised of fifteen members who represent the visitor industry, business community, community-at-large, and government, as well as Hawaii's four counties.

The primary purpose of the Board is to set broad policies and directions for the HTA's activities, as a means of fulfilling its statutory authority as mandated by Chapter 201B, HRS. This is primarily accomplished through the development and implementation of the HTA's Tourism Strategic Plan—*Ke Kumu: Strategic Directions for Hawaii's Visitor Industry*. *Ke Kumu* outlines eight initiatives under which the HTA develops and implements its tactical programs and activities throughout the year.

### Board Committees

To develop policy recommendations on tourism matters, the Board utilizes a standing committee. This year, four standing committees were developed:

- The **Marketing Committee** makes policy recommendations related to the implementation of the following tourism strategic initiatives described in *Ke Kumu*: Initiative B - *Leisure Marketing*; Initiative C - *Business Tourism Marketing*; Initiative D - *Sporting Events*; Initiative E - *Tourism Product Enrichment & Diversification*; Initiative F - *Airlift*; and Initiative G - *Advocacy and Representation for Tourism*.  
Committee members: Sharon Weiner (Chair), David Carey, David Gleason, Seiji Naya and Lorrie Lee Stone.
- The **Strategic Planning and Accountability Committee** makes policy recommendations relating to the development of a long-term vision for tourism in Hawaii, including: a) the review, evaluation, and update of the tourism strategic plan as provided in *Ke Kumu*; and (b) the plans or strategies for the sustainability or development of Waikiki as a visitor destination, its infrastructure, and its marketing brand.  
Committee members: Nadine Nakamura (Chair), David Carey, Gilbert Coloma-Agaran, and Brian Minaai.
- The **Budget Committee** makes policy recommendations related to the development of policies that will ensure the financial integrity of the HTA through the proper allocation and expenditure of funds in a manner consistent with the Board's policies and objectives, and that funds have been properly expended under a budget previously approved by the Board.  
Committee members: Stephen Yamashiro (Chair), Larry Johnson, and Benjamin Kudo.

- The **Administrative Committee** serves as a resource for findings and policy recommendations related to the evaluation of the executive director, major contractors, community relation initiatives, and communications to the public and all governmental and private sector entities.

Committee members: Mike McCartney (Chair) and Ron Wright.

This year, the Board also established the following investigative committee:

- **Oahu Investigative Committee.** Selected tourism industry leaders have been invited to provide input to an investigatory committee to identify why Oahu's visitor arrivals and tourism spending are declining and how to reverse the trend within the next six months. Committee member: Sharon Weiner (Chair) and David Carey.

## HTA Staff and Operations

The HTA's President and Chief Executive Officer reports directly to the HTA Board of Directors and is responsible for assisting the Board in its responsibility to execute the mandates of Chapter 201B, HRS. This includes carrying out board policies, HTA programs and overseeing the HTA office's day-to-day operations. To accomplish these tasks, the President and Chief Executive Officer is supported by a staff who perform work in-house. In addition, the HTA also works with professionals in their respective fields for specific tasks, as listed below:

- Hawaii Visitors and Convention Bureau (HVCB) for tourism marketing in the leisure and business segments;
- SMG for management and marketing for the Hawai'i Convention Center;
- Harrington Sports Marketing LLC, MS Inc. and Legacy Sports Group for sports marketing & management; and
- Research and Economic Analysis Division (READ) of the State Department of Business, Economic Development & Tourism (DBEDT) for tourism research.



### III. HTA Program Areas

A brief narrative of the HTA's programs and activities from January 1, 2002 through October 31, 2002, are presented over the following pages.

#### A. Marketing

This program area relates to HTA's primary responsibility to oversee the efforts to market and promote Hawaii to the world in both the leisure and business markets. Importantly, this function makes up a significant portion of the HTA's budget. For CY 2002, the HTA's activities in this area are broken out by market segment.

**Leisure Marketing.** The HTA contracted with the Hawaii Visitors and Convention Bureau (HVCB) for leisure marketing services in 2002. Approved spending for leisure marketing services was reduced from \$37 million to \$35 million as a result of the Governor's line item veto action which reduced HTA's budget appropriation from \$61 million to \$56 million in FY 2003. Nearly 88 percent of these funds were dedicated to Hawaii's three largest source markets: U.S. West, U.S., East, and Japan.

As part of the HTA's oversight of HVCB marketing programs, HTA conducted a "360°" evaluation of HVCB performance and programs, incorporating industry and community comments. In response, HVCB issued an amended marketing plan in July 2002 and additional changes will be reflected in the 2003 annual tourism marketing plan.

The HVCB's marketing plan for 2002 is designed to implement the HTA's strategic initiatives and, specifically, to:

- Promote Hawaii as a preferred destination;
- Increase brand identity and presence to globally competitive levels;
- Stimulate demand in shoulder periods (spring and fall); and
- Leverage resources by collaborating with partners.

The HVCB plan addressed the complex market conditions that followed the tragic terrorist attacks of September 11, 2001. HVCB's "base" plan (\$35 million) was coupled with the 2002 portion of the state's supplemental emergency funding (\$12 million) to create a program responsive to short term market conditions along with the long term strategic requirements laid out in *Ke Kumu*. In brief, the plan implemented the following strategies:

- *Geographic strategy.* HVCB implemented programs consistent with HTA's major market areas (MMAs), which were grouped as follows: North America Division (U.S. West, U.S. East,

Canada), Japan Division (Japan), and Developing International Markets Division (Europe, OtherAsia, Oceania and Latin America).

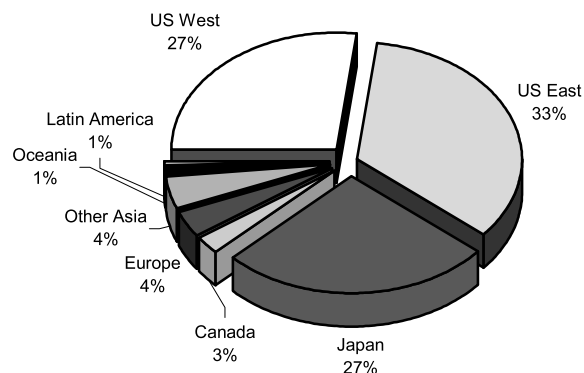
- *Seasonality strategy.* Programs were designed to address the HTA's strategic objective of promoting travel within Hawaii's traditional "shoulder" seasons.
- *Message strategy.* Specific message strategies were tailored to individual market and competitive conditions; however, in every instance, the object of Hawaii's marketing programs was to create a distinct and compelling message based upon the diversity of things to see, do, and experience coupled with the warm hospitality and aloha of Hawaii's people.
- *Visitor segment strategy.* Consistent with HTA's objectives, the HVCB targeted prospective visitors who were likely to support increased visitor expenditures.
- *Partnership strategy.* The HVCB plans called for the development of a broad range of opportunities that allow for industry involvement, including co-operative marketing programs and in-kind support of HVCB initiatives.

The following table provides a breakout of HVCB's \$35 million marketing budget by MMA:

#### **Revised 2002 Firm Wide Budget**

<b>MMA</b>	<b>\$\$\$</b>
US West	\$ 9,405,704
US East	\$ 11,995,642
Japan	\$ 9,315,167
Canada	\$ 906,564
Europe	\$ 1,258,491
Other Asia	\$ 1,570,292
Oceania	\$ 342,687
Latin America	\$ 205,453
<b>TOTAL</b>	<b>\$ 35,000,000</b>

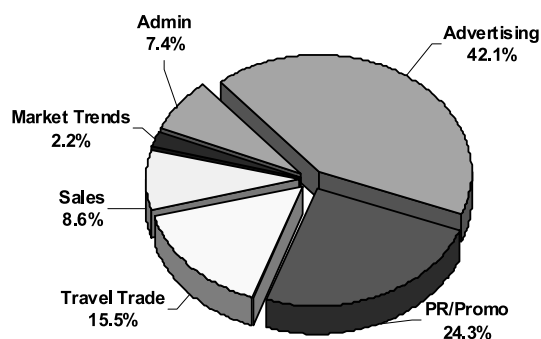
#### **MMA Allocations for CY 2002**



Leisure marketing highlights through September 2002 include the following:

- *Worldwide.*
  - 10.49 billion impressions worldwide through paid advertising, editorial coverage, public relations events and promotions, TV/film programming, internet and online marketing. This number is up substantially from the same period last year due to expanded marketing programs funded as part of the emergency expenditures authorized by the Hawaii State Legislature in response to the terrorist attacks of September 11, 2001.
  - Multi-national marketing efforts tied-in to the launch of Disney's *Lilo & Stitch*, which generated an additional 856 million Hawaii impressions through television programming, events, Internet programs, movie trailers, sweepstakes, and other related programs.
- *North America.*
  - U.S. national cable television exposure on targeted channels and shows (such as *Discover*, and *Hawaii Outdoor*).
  - Print advertising in targeted lifestyle and travel magazines (such as *Condé Nast Traveler*, *Travel & Leisure*, *Midwest Living*, etc.).
  - Spot television in high potential U.S. markets in the spring and fall.
  - Distribution of 300,000 monthly consumer eNewsletters in response to "opt ins" and requests and an additional distribution of 60,000 monthly newsletters to the travel trade.
  - Marketing support for airlines opening new routes.
  - Hosting the Society of American Travel Writers and American Association of Travel Agents, two groups that will influence future travel to the islands.
  - Travel agent training and familiarization.
  - Public relations supported feature articles in lifestyle, travel, and travel trade magazines.
- *Japan.*
  - Television advertising supporting the continuing *Aloha Magic* broadcast umbrella campaign.
  - Advertising and editorial exposure in lifestyle and wedding magazines.
  - Television, radio and magazine exposure in media "tie ups" in major media properties.
- *Developing International Markets.* Ongoing support for each of the developing international markets identified in the *Ke Kumu* strategic plan is based on the state of marketing development and prospects for future growth.

Overall, HVCB plans call for the following budget breakout by major category of spending:



## Future Plans

*Renewal of HVCB's Leisure Contract for 2003.* The HVCB 3-year Leisure Marketing contract expires December 31, 2002. At its October 31, 2002 board meeting, the HTA board authorized a new one-year contract for leisure marketing services beginning January 1, 2003. The one-year term will provide the board with an opportunity to incorporate new accountability measurements and review HVCB performance in 2003 before considering longer term commitments.

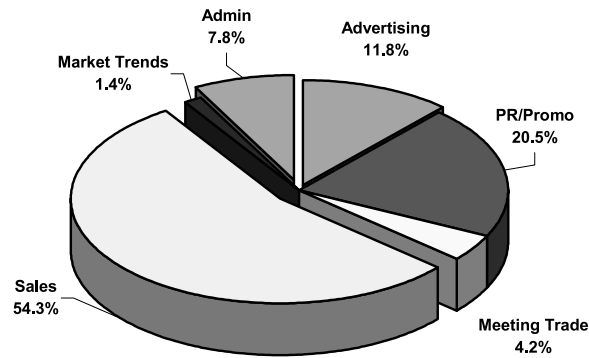
With the 2003 contract, the HTA will also implement a new approach to measure accountability for leisure marketing programs. All accountability measurements will be undertaken by the HTA (rather than the HVCB) and will measure performance directly related to planned marketing programs. Three levels of examination will be included:

1. Intention to travel (and trends in this measurement over time);
2. Brand equity (positive impressions of the Hawaii brand overall and relative to competitors); and
3. Specific communications objectives set for each of Hawaii's three core Major Market Areas (US West, US East, and Japan).

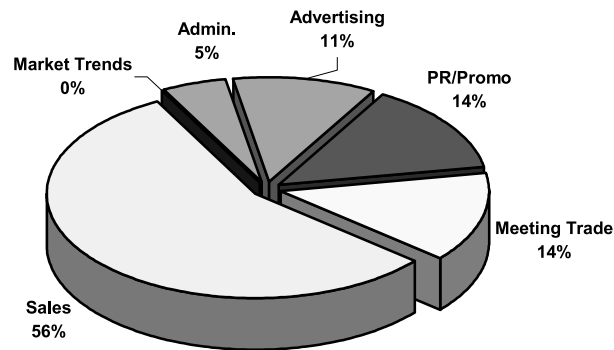
**Business Marketing.** For 2002, the HVCB was contracted to provide marketing services to support the Hawai'i Convention Center (HCC) as well as marketing for single property corporate meetings and incentives. For these markets, the HVCB developed the following strategies in 2002:

- Selectively target medical/pharmaceutical, finance/insurance, technology, and direct marketing prospects;
- Incorporate industry input through an active industry advisory board and client-led forums;
- Use the marketing flexibility fund (funds available to solicit and "close" prime prospects for HCC) to increase bookings;
- Leverage key industry partnerships;
- Use advertising to create a dominant position in the meetings market, overcome client objections and increase awareness; and
- Provide competitive levels of client services.

Supporting these strategies, HVCB budgeted \$4,000,000 for Convention Center sales and marketing, which was allocated as follows:



For the corporate meetings and incentives (CMI) market, HVCB budgeted \$2,000,000 in the following categories:



## Future Plans

- *HVCB's Contract for Meetings, Conventions and Incentives.* With the HVCB's 3-year contract for Meetings, Conventions and Incentives expiring on December 31, 2002, and the passage of Act 253, SLH 2002, which specifies that the contract for management of the HCC shall include marketing for all uses of the facility, effective January 1, 2003, the following actions were taken. At its board meeting on October 31, 2002, the HTA approved the development of a new contract effective January 1, 2003, which consolidates the marketing and management services for the Center with SMG (more information on this in a later section). The HTA also authorized \$2 million to HVCB for CMI Marketing beginning January 1, 2003, as part of the HVCB's integrated Annual Tourism Marketing Plan.

## B. Sporting Events

The HTA recognizes the value of sporting events in providing the state with worldwide coverage and creating significant economic impact through the direct spending of those involved in the event. As such, the purpose of this program is to invest in a comprehensive portfolio of sporting events for the State that:

- Generates awareness of the Hawaii brand and establishes Hawaii as the preferred destination for high-profile, quality sports events through national and international media exposure, and
- Attracts visitors to Hawaii as participants, spectators and operators.

## Activities for the Year

In 2002, the management of the HTA's sports marketing investments passed smoothly from TEAM Unlimited to Harrington Sports Marketing, LLC, MS Inc., and Legacy Sports Group. The three consulting firms provide the State with recommendations and evaluations of its sports marketing investments and advise the HTA on its overall sports branding strategy. Highlights of this past year are outlined below:

- Despite the September 11<sup>th</sup> terrorist attacks which caused the 2002 Pro Bowl to be rescheduled, the National Football League (NFL) and the HTA were able to work together on a variety of marketing initiatives to further cement the partnership between these two powerful brands. This included the:
  - NFL-produced 9-minute video, "Partnership in Paradise,"
  - recognition by Commissioner Paul Tagliabue of Hawaii as the NFL's 33<sup>rd</sup> franchise, a very prestigious and coveted title, and
  - Pro Bowl and other NFL-related programming from Hawaii which provided over 11 hours of national and international exposure for the State.



*2002 NFL Pro Bowl MVP Rich Gannon and Vili the Warrior at Aloha Stadium, Honolulu, Oahu*

In addition, a survey at this year's game showed that 16,000 out-of-state fans came to Hawaii specifically for the Pro Bowl. The economic impact from direct spending by these visitors is estimated to be over \$25 million dollars.

- Hawaii continues to benefit from its landmark agreement with the PGA TOUR which ensures that the State will host six annual TOUR-related events (known as the "Aloha Season") through 2006. This year, through this relationship:
  - A PGA TOUR preview show hosted by Mark Rolfing was created,
  - Two new golf specific ad spots to run in the Aloha Season airings and other golf broadcasts were produced, and



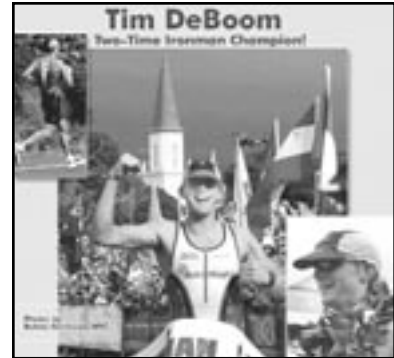
*2002 Mercedes Championship winner Sergio Garcia at the Plantation Course at Kapalua, Maui, Hawaii.*

2002 Copyright Kapalua Land Company, Ltd.

- The Aloha Season on TOUR, a traveling exhibit set up at nine mainland tournaments and experienced by over 50,000 people, was launched.

For 2002, the six events were the Mercedes Championship, Senior Skins Game, Sony Open, Turtle Bay Championship, PGA Grand Slam, and Mastercard Championship.

- The 2002 Ironman World Championships hosted over 1,500 triathletes from 49 countries and 49 states and was supported by over 7,000 volunteers. Ironman targets and attracts a key demographic market to Hawaii and the estimated economic impact of this year's event is over \$25 million dollars. In terms of media value, the HTA's agreement with World Triathlon Corporation provides ad spots in five qualifying events on ESPN and the World Championship broadcast on NBC Sports.
- For the year 2002, the HTA invested approximately \$7.5 million dollars in sports events and received over 100, 30-second ad spots and more than 80 hours of television exposure for the state. While the value of the media generated from these sports marketing investments is estimated at \$10 million dollars, the economic impact from direct spending of the sport event participants, spectators and operators is estimated at \$100 million dollars.
- Lastly, this year, the HTA approved \$500,000 towards the installation of a new playing surface—FieldTurf—at the Aloha Stadium. This change was requested by the NFL and is part of the extended contract that the State has with the NFL Pro Bowl through 2005. The HTA has been actively involved with the Stadium Authority on this project and plans are on track to have the new surface installed. Changing the surface to FieldTurf should improve the State's ability to attract certain types of events such as FIFA soccer (national governing body of soccer) since they do not accept AstroTurf for sanctioned competitions.



*2002 Ironman World Championship in Kona, Hawaii*

## **Future Plans**

The HTA will continue to evaluate its sporting event program including:

- the process by which the HTA selects sports events to invest in each year (e.g., Request for Proposal or other process);
- the actual selection of sports events to insure that the HTA receives the maximum marketing benefits for its investment;
- the allocation of sports assets that HTA receives for its investment; and
- its long-term contracts with the NFL for the Pro Bowl, and the PGA TOUR for the *Aloha Season*.



## C. Product Development

This year, the HTA developed its first-ever “Product Development Program: 2002–2003 Strategic Plan” (Plan) which provides clear direction for and increased emphasis on the HTA’s tourism product development programs. Specifically, the Plan called for the formalization of a Product Development Program (PDP) within the HTA organizational structure to focus on two strategic initiatives in *Ke Kumu*:

- *Product Enrichment & Diversification* – Diversify and enrich Hawaii’s tourism product by developing new and enhancing existing community-based tourism events, experiences, attractions and projects related to the niches of agriculture, culture, education, health and wellness, nature and technology with the public and private sectors; and
- *Advocacy & Representation for Tourism* – Provide advocacy and representation for the natural environment and public recreational areas, tourism investment, tourism-related infrastructure, and tourism support services for the purpose of strengthening the industry, enhancing the Hawaii visitor experience, and enhancing residents’ quality of life.

The Plan focuses on the following vision:

*To realize Hawaii’s potential as a great place to live and to visit by ensuring that our rich cultural heritage and resources are enhanced, preserved, perpetuated and promoted in a manner that is economically and environmentally sound, and culturally and socially sensitive.*

### Activities for the Year

HTA’s activities within PDP can be broken down by initiative into six major areas for the year. A description of each area is provided below:

#### **Product Enrichment & Diversification**

- **Product Enrichment Program (PEP).** This year, the HTA embarked on a new partnership program—Product Enrichment Program—for the period July 1, 2002–December 31, 2003. This program has two levels—county and statewide. The County Program (CPEP) involves partnerships between the HTA and each of the four major counties of Hawaii in which \$600,000 is provided to each county to support tourism activities on their respective islands in the niche areas of agri tourism, cultural tourism, eco tourism, health and wellness tourism, edu tourism, and techno tourism. In the CPEP, HTA continues to have management oversight responsibilities, whereas the counties have assumed the day-to-day management of the program. Overall, the program has enabled county officials to nurture and observe



Photographer Dennis Fujimoto.

*Aparima Dancers at the Kaua’i Festivals held on the island of Kauai*



organizers on a more regular basis, improving accountability and expanding support services to the various community groups. The program has also demonstrated increased effectiveness and efficiency in the use of both County and State funds and resources.

Announcement of this program to the public included notification through island newspapers, HTA's website and press releases, 1,000 letters to interested individuals, and distribution of a PDP brochure. The HTA in conjunction with each county also held a total of seven workshops, one on each major island, with over 320 people attending.

Information on each county program as of October 31, 2002, is provided below (note: a list of all county projects is available upon request):

- **The County of Kauai** received 88 proposals. Of the thirty-six projects selected, a total of 51 activities were awarded a total funding of \$475,000 (some for 2002 and 2003).
- **The County of Maui** received 35 proposals, of which fifteen projects were awarded a total of \$506,000, with one project receiving funds for events in 2002 and 2003.
- **The City and County of Honolulu** received 97 proposals, of which 46 projects were awarded a total of \$523,000.
- **County of Hawaii** which has an ongoing application period running to June 30, 2003, has received 29 proposals as of October 31, 2002. Of these, 7 projects were awarded a total of \$158,290.

The HTA oversees the management of the Statewide PEP which was allocated \$180,000 for the period of July 1, 2002 through December 31, 2003. As of October 31, 2002, only one project had been referred to HTA for consideration, the Hawaiian Slack Key Guitar Festival, which occurs on the islands of Kauai, Hawaii and Oahu and covers events from November 2002 to November 2003. This event was awarded \$40,000.

Launched in July 2002, there is not yet a final report or completed evaluation of the County or Statewide PEP. Nevertheless, the HTA has had ongoing discussions with the counties



*"The Ulupalakua Thing" on Maui showcases Hawaii's agricultural products and is supported through the Product Enrichment Program.*



*The Queen Lili'uokalani Festival on the island of Hawaii is a community-based program honoring the late monarch's musical legacy.*

and regularly scheduled monthly meetings. This was the first year for the new program. Understandably, there were some delays in decision-making in the process, however, overall, the program appears to be successfully moving in a positive direction.

- **Major Festivals Program.** Major festivals support the HTA's overall goal of visitor industry expenditures and increasing the visitor's average length of stay. Importantly, festival activities can be positioned during normally soft or "valley" periods for the visitor industry. The primary differences between PEP activities and Major Festivals are:

- Major Festivals engender significant attendance; and
- Major Festivals provide opportunities for significant marketing activity within and outside of Hawaii.



*The Pan-Pacific Festival - Matsuri in Hawaii brings in thousands of participants from Japan to Oahu.*

For 2002, twelve major festivals were supported by \$1.1 million in funding, with awards ranging from \$25,000 to \$300,000. The events span the year 2002 and occur on all islands with the primary focus being Oahu. The total expenditures for the 12 events was estimated at \$6.9 million, more than a 6 to 1 match from the private community groups to the HTA dollars. The expected attendance to these events was in excess of 1.5 million visitors and residents. Example of events funded include the Aloha Week Festivals, Hawaii International Film Festival, Honolulu Festival, Hawaii's Big Island Festival and Maui Writers Conference.

### **Tourism Advocacy & Representation**

- **Greetings Program.** This year, each county received \$65,000 to support its island's greeting program at the following harbors: Hilo, Kona, Kahului, Lahaina, Honolulu, and Nawiliwili. Additionally, the County of Kauai received \$40,000 for a greetings program at Lihue Airport. It is estimated that over 1.3 million passengers will be greeted through this program in 2002. The \$300,000 allotted to this program is matched nearly 1.5 to 1 for a total program cost of over \$740,000.
- **Visitor Industry Support Services.** HTA provided \$200,000 in funding to the Visitor Aloha Society of Hawaii (VASH) chapters on the islands of Kauai, Maui, Oahu, and Hawaii. The VASH chapters provide services to visitors who experience adversity while on vacation in Hawaii. Services can range from a personalized note or phone call to providing extended hotel accommodations, assistance with air transportation



*A greetings program, such as this one at Hilo Harbor, is provided to welcome and assist visitors.*

arrangements, or other products and services to assist the visitor. From January to June 2002 alone, over 1,200 visitors were assisted throughout the state.

- **Natural Resources.** This year, at the direction of the legislature, the PDP undertook a new effort relating to the State's natural resources. Through a proviso in Act 250, SLH 2002, the HTA was directed to spend \$1 million to address Hawaii's natural resources. HTA's plans call for an assessment of Hawaii's natural resources including an inventory and an evaluation of the impact the visitor industry has on these resources. Additionally, the HTA plans to implement specific projects that will identify natural attractions or activities for visitors without diminishing the quality of Hawaii's natural and cultural assets.

## **Future Plans**

The new Plan calls for constant reassessment, evaluation, analysis and accountability of the PDP activities and the Plan itself. The HTA will continue to evaluate each program area within the PDP including its impact on the visitor experience, on visitor expenditures, on visitor arrivals, and on our local community. Programs will be altered as needed to gain the maximum positive impact for all concerned. The HTA intends to review the Plan at the end of 2002 and recommend any changes needed to improve the Plan for 2003.

## **D. Hawai'i Convention Center**

The Hawai'i Convention Center (HCC) was built in 1997 as a world-class facility to accommodate large, offshore meeting, convention, and incentive events. The primary purpose of the Center is to draw new dollars into the economy and to increase tax revenues for the state. The HTA contracts with SMG to fulfill its responsibility to operate, manage and maintain the center as a world-class facility as well as for short-term marketing of the center. More information on these functions are listed below:

### **Activities for the Year**

### **Management and Operation of the Center**

In addition to the ongoing maintenance, management and operation of the center, highlights for the year are listed below:

- Instituted Quarterly Contractor meetings between HTA and SMG to address coordination issues, building damage, and security issues;
- Implemented Energy conservation program, resulting in \$240,000 in yearly savings;

- Developed a new in-house housekeeping program for improved maintenance and cost control;
- Implemented the Safety Committee and Improvement Program, resulting in fewer guest and employee injuries and accidents;
- Developed employee suggestion program, HICCUP, "Helping to Improve the Convention Center's Unparalleled Performance;" and
- Revamped the HCC Emergency Preparedness Plan and implemented a Crisis Communications Plan for SMG-managed facilities.

## Sales & Marketing

Community relations and customer service efforts for the year are described below:

- Relocated the Security Office and Employee Entrance to the Ala Wai side of the building benefiting neighbors by reducing noise and traffic and improving facility security;
- Enhanced event security by establishing an exclusive provider relationship for public shows; and
- Improved the client recognition program—**Makana o ka Lokahi**—which honors six major clients who have made a significant contribution to the Center. HCC awards a wood-encased canoe paddle—the symbol of teamwork-partnership-success. This year, the following clients received this award: Sun Microsystems, AFLAC, Prime and MPI.

In terms of booking activity, SMG has the responsibility for selling local and off-shore events that occur within a 13-month window. Below is a summary of SMG's 2002 booking performance for the center, as compared to the previous two years:



*Meeting Planners International (MPI) 2002*



*Meeting Planners International (MPI) 2002*

Month	CY 2000	CY 2001	CY 2002
January			
February	4	8	21
March	8	6	24
April	6	11	13
May	9	14	15
June	3	12	11
July	1	9	12
August	7	9	7
September	13	15	14
October	16	18	15
November	12	25	17
December	12	11	11
TOTAL	95	148	175

As of October 31, 2002

Source: HCC

## Evaluation of performance

SMG's performance is evaluated quantitatively as well as from a qualitative standpoint, as described below:

- Customer Survey and Recommendations.** Each HCC client is asked to complete a comprehensive survey to evaluate the facility and staff performance. Overall, HCC receives consistent ratings of *excellent* in most categories. Those comments that fall in the "fair or below" category are addressed and corrected immediately. In addition, major clients are asked to participate in a post event critique meeting.



First Hawaiian Auto Show

- Fiscal Matters.** In addition to staying within budget for the fiscal year ending June 30, 2002, SMG achieved clean audits for all years of operation, implemented a revised SMG Contract Administration Policy, and prepared a 10 year Capital Improvement Plan for the center.



- **Awards received.** This year, the center received the following awards:
  - Facilities Magazine "2002 Prime Site Award" for excellence in facilities and services for the fourth year in a row;
  - 2001 AIA Honolulu Grand Prize Design Award of Excellence to HCC architects: Wimberly Allison Wong & Goo of Honolulu and LMN Architects of Seattle;
  - "Outstanding Job" as reported by meeting planners at post convention meetings: MPI, All-State Insurance, AGD, National Medical Association, Taba International, Astra Zeneca, Compaq, National Association of Mortgage Brokers, International Association of Exposition Managers (IAEM), Sun Microsystems, 40th Hawaii Annual Meeting, and American Family Life Assurance Company of Columbus (AFLAC); and
  - Survey by Metropol, awarded HCC as the number two (2) convention facility, a substantial improvement over previous years.

## **Future Plans**

In accordance with Act 253, SLH 2002, the HTA at its October 31<sup>st</sup> board meeting, approved SMG to market and manage the center from January 1, 2003 to June 30, 2006, with a review at 18 months. The rationale for a longer-term contract (as opposed to 6 months) is that convention center sales have long lead times. To ensure continuity and a smooth transition, the HTA is convening a committee of industry representatives to ensure that the needs of the center, visitor industry and the broader community are addressed immediately as well as on an ongoing basis.

## IV. Other Efforts

Planning efforts for the year are detailed below:

- ***Ke Kumu: Strategic Directions for Hawaii's Visitor Industry*** is the HTA's tourism strategic plan that provides the framework under which the HTA develops and implements tactical programs throughout the year. On January 30, 2002, the HTA board voted to approve the new plan, which was revised because of the events of September 11, 2001, community sentiments and other factors. In July 2002, several new members joined the HTA board. After examining *Ke Kumu* at a board retreat held on October 21 and 22, 2002, the board determined that *Ke Kumu* should be updated to reflect the new board's directions and policies. At the time of this writing, it is anticipated that this will take place by the end of 2003.
- **Sustainability Tourism Study.** The HTA continues to work closely with DBEDT on the state's sustainable tourism study. The study which is comprised of three parts—Infrastructure Study, Modeling, and Socio-Cultural Impact - examines issues such as tourism's effects on Hawaii's environment, infrastructure, and residents' standard of living. This year, the study made great headway in all three components of the study and it is anticipated that it will be completed by the end of 2003, with the end product to be used as a planning tool by county and state agencies to develop specific policies or changes. More information on this study can be found at: [www.hawaii-tourismstudy.com](http://www.hawaii-tourismstudy.com).
- **Master plans with DLNR.** Act 250, SLH 2002 states that if 32.6 percent of the revenues deposited into the HTA's Tourism Special Fund exceed \$62.292 million in any fiscal year, then the first \$1 million in excess of that amount, shall be used for the management and maintenance of State Parks and the Hawaii State Trail and Access Program, in accordance with master plans developed by the Department of Land and Natural Resources (DLNR) and the HTA. To that end, the HTA has been meeting with DLNR to develop these plans.
- **Tourism Research & Information.** In addition to providing funds for tourism research, the HTA also works with DBEDT's Research and Analysis Division (READ) to collect and monitor the latest tourism data for the state. This includes preparing monthly and annual statistical reports in addition to forecasting visitor expenditures and arrivals for the state. The information READ provides is crucial in tracking and planning for Hawaii's visitor industry. This year, READ implemented a new survey that tracks visitor expenditures on the Neighbor Islands. In the future, READ hopes to conduct a survey for Oahu visitor spending.

Other efforts for the year are detailed below:

- **Legislative Audit.** On February 6, 2002, the Legislative Auditor issued a Management Audit of the HTA. Overall, the audit pointed out weak areas within the HTA including lack of policies, structures and operating procedures. In response to the Draft Report of the Audit dated February 1, 2002, the HTA stated that it accepted "the Audit with anticipation of

evolving the [HTA] from an entity mandated to focus primarily on aggressive marketing and promotion of tourism for the state, into an agency that will balance that important charge with more stringent management and government processes.”

Efforts to implement the Auditor’s recommendations have been initiated by the HTA under the guidance of its newly hired President and Chief Executive Officer, Rex Johnson. Currently, various initiatives to implement the recommendations are in the final stages of being completed (such as the reorganization of the board and staff), while others (including the development of procedural manuals) are in the process of being implemented to ensure full compliance.

- Visionary Retreat. On October 21 and 22, 2002, the HTA Board and various staff participated in a retreat to develop a new vision for the HTA. The objectives for the retreat were:
  - To create a clear, shared working vision statement of the desired future for the HTA and its impact on Hawaii’s visitor industry; and
  - To build an effective, united leadership team for the HTA.

At this time, a follow-up session is anticipated to be held to finalize the vision-setting process and to develop strategies. The purpose for the vision statement is to ensure that the HTA is vision-led and not threat-driven.



## V. Moving Forward

As the HTA moves into its next year of operation, new and ongoing challenges are expected in 2003, including those described below:

- **HTA's Total Funding.** Several concerns relate to HTA's funding source and its level of funding, including lower TAT collections for FY 03 and beyond, and Act 250, SLH 2002 which reduced the percentage of TAT dedicated to HTA's Tourism Special Fund from 37.9 percent to 32.6 percent. Both would impact the amount into HTA's Tourism Special Fund, and as a result, limit the total funding available for Hawaii's tourism efforts.
- **Funding Allocation.** Each year, the HTA faces difficult decisions relating to the allocation of its funds among its various initiatives—marketing, product development, advocacy, sporting events, planning and outreach. Adding to this challenge, is the impact of provisos which further diminishes the HTA's ability to allocate funds in accordance with the board's areas of focus.
- **Hawaii's Tourism Industry.** The events of September 11, 2001, a weakened national economy, and the softening of the global economy, continues to impact Hawaii's tourism industry. While the companies most affected are Hawaii's small businesses which rely on tourism, this situation has also impacted the larger tourism companies. The effects include company bankruptcies, a rise in unemployment, and decreased operations. The challenge is to sustain and support the many companies and individuals that rely on the tourism industry for their business and livelihood.
- **The Hawaii Tourism Experience.** As a mature destination, Hawaii faces several challenges on its road to renewing itself to remain competitive and contemporary in the worldwide travel marketplace. While Hawaii has many strengths, it also has an aging infrastructure and product. The HTA recognizes the importance of preserving Hawaii's natural environment as well as ensuring that our tourism facilities, accommodations, and activities keep pace with consumers' present and future expectations.
- **Tourism Planning and Marketing.** The attacks of September 11<sup>th</sup> changed the world fundamentally and the impact on travel was instantaneous and is still enduring. In light of the changing market conditions, the HTA will need to "stay ahead of the curve" and keep track of the global travel trends to ensure Hawaii's marketing efforts keep pace with the changes.
- **Raising the awareness and understanding of tourism.** As the state's number one industry, tourism can no longer be an issue for only those people who are directly involved in tourism. To ensure a successful tourism industry into the future, improved awareness and understanding of tourism within and outside the industry, as well as between the two is essential. As the lead tourism agency for the State, the HTA's role, is to serve as the bridge to bring everyone—our residents, Legislature, Administration, visitor industry, and

business—together.

Given these challenges and the uncertain times ahead, the HTA still believes that there are many opportunities to work with all stakeholders to ensure that the investment in tourism provides benefits to the people of Hawaii now and into the future.

## VI. Hawaii's Travel and Tourism Industry

The purpose of these pages is to share information on how the industry did for the year and to demonstrate how tourism contributes to Hawaii's economy. Below are some of the industry indicators for the year, based on the latest research available.

### Visitor Industry Planning Targets for 2002

The industry's targeted and projected performance in terms of visitor expenditures, visitor days, and visitor arrivals is listed in the table below:

**Table 1: Targeted and Projected Performance for 2002**

Visitor Statistics	2002 Targets (1)	2002 Projections (2)
Visitor Expenditures	\$10.3 billion	\$10.5 billion
Visitor Days	58.4 million	59.4 million
Visitor Arrivals	6.5 million	6.4 million

(1) HTA targets as outlined in *Ke Kumu*, January 30, 2002.

(2) Projections are based on READ statistics using actual information from January–September and projections for the months of October, November and December.

The above information is further broken down by the following Major Market Areas (MMA) and by business segment as listed in the table below:

**Table 2: Targeted and Projected Performance for 2002 by MMA**

	Visitor Expenditures		Visitor Days		Visitor Arrivals	
	Target (1) (\$billion)	Projections (2) (\$billion)	Target (1) (million)	Projections (2) (million)	Target (1) (million)	Projections (2) (million)
US West	\$3.383	\$3.398	23.3	25.0	2.3	2.5
US East	2.891	2.812	16.9	16.9	1.6	1.6
Japan	2.158	2.357	9.1	8.7	1.6	1.4
Canada	0.421	0.388	2.9	2.6	0.2	0.2
Others	0.998	1.184	6.1	6.1	0.6	0.6
Business supplement	0.495	0.356	N/A	N/A	N/A	N/A
Total	\$10.347	\$10.495	58.4	59.4	6.5	6.4

(1) HTA targets as outlined in *Ke Kumu*, January 30, 2002.

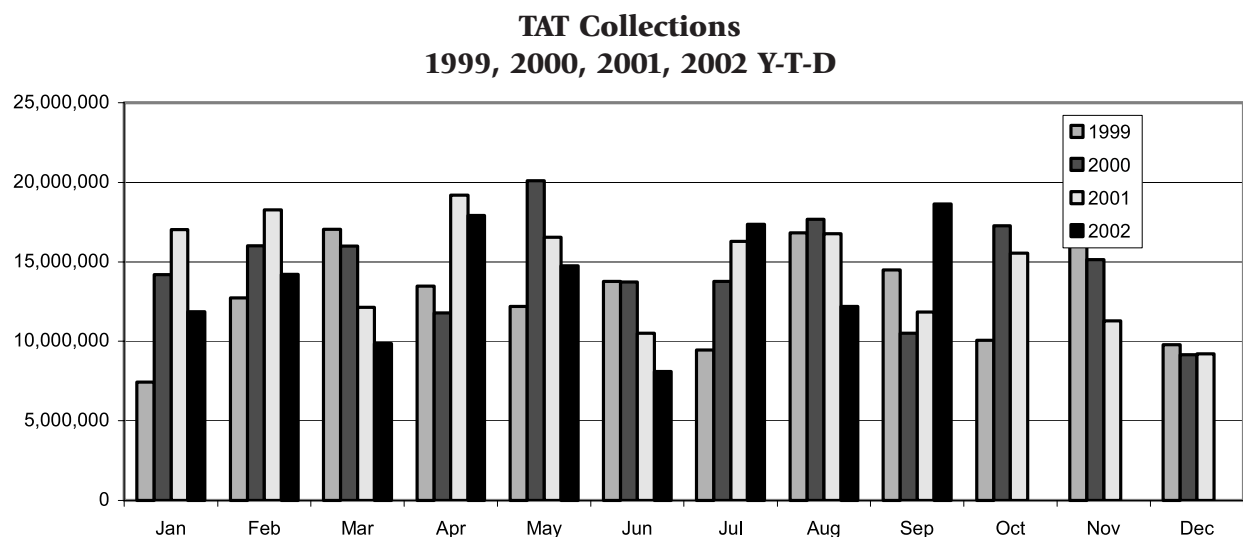
(2) Projections are based on READ statistics using actual information from January–September and projections for the months of October, November and December.

## Transient Accommodations Tax (TAT) Collections

Another measurement of the industry's performance is the amount of TAT collections that the state receives each month. The more TAT collected, the more benefits that are accrued to the state as a whole and to the individual counties, which therefore benefits Hawaii's residents. As of July 1, 2002, of the monthly revenues collected:

- 17.3 percent is deposited into the convention center enterprise special fund;
- 32.6 percent is deposited into the tourism special fund (HTA's fund);
- 5.3 percent is deposited into the transient accommodations tax fund; and
- 44.8 percent is distributed to the counties (14.5 percent to Kauai, 18.6 percent to Hawaii, 22.8 percent to Maui and 44.1 percent to Honolulu).

Year-to-date 2002 (through September), show TAT collections to be at \$124.8 million, a 10% decrease over the same time period last year as shown below:



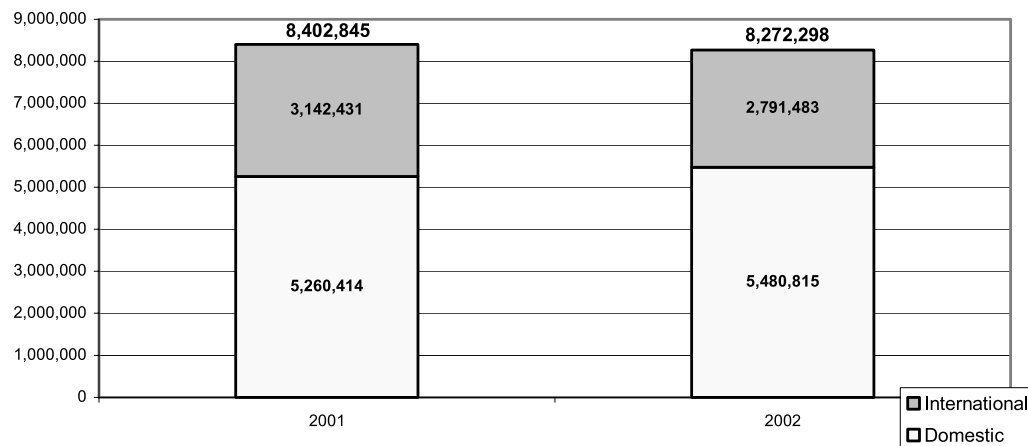
Source: Department of Taxation

## Airlift to Hawaii

After starting 2002 well below prior year levels, year-end projections indicate positive signs of rebound in the total scheduled nonstop air seat capacity to Hawaii. Specifically, total scheduled airseats to Hawaii in the domestic market is projected to be 4 percent above 2001 levels, for 2002. This is fueled primarily by increased air services from U.S. West. While capacity has

shown signs of improvement throughout 2002, international airlift to Hawaii is still projected to be 11 percent below last year's levels. This is mainly due to decreased Japanese travel demand. However, in total, airlift to Hawaii for the year, is expected to be down only 2 percent from 2001.\*

**YTD Airseats to Hawaii 2002 vs. 2001\***



\*Note:Information is based on actual data from January – October, and projections for the months of November and December.Source:HVCB Market Trends Department

## Contributions of Hawaii's Travel & Tourism's Economy in 2002

- Hawaii's Travel & Tourism Economy is expected to produce \$7.5 billion or 16.5 percent of Gross State Product;
- Hawaii's Travel & Tourism Economy is estimated to account for approximately 154,100 jobs or 20.1 percent of total employment for the state;
- Hawaii's Travel & Tourism Economy taxes are expected to contribute \$905 million tax dollars to the state and county government or 20.9 percent of total state and county tax revenue.

Source: DBEDT

## Hawaii Tourism Authority Fiscal Year 2002 Actuals (\$000)

### REVENUES

Tourism Special Fund (37.9% TAT Collections)	\$59,743
Investment Pool Interest/Miscellaneous Receipts	971
<b>TOTAL REVENUES</b>	<b>\$60,714</b>

### APPROPRIATIONS

FY 2002 (Including additional Collective Bargaining Authorization)	\$61,057
Special Session Appropriation due to events of 9/11	10,000
<b>TOTAL APPROPRIATIONS</b>	<b>\$71,057</b>

### HTA EXPENDITURES

Administrative Costs	1,445
Sports & Festival Events (Includes Pro Bowl/PGA)	9,829
Community & Special Events	1,078
Product Development	1,602

### HVCB (Includes Island Chapters)

Leisure Marketing	48,858
Meetings, Conventions & Incentives Costs	8,000

<b>TOTAL HTA EXPENDITURES</b>	<b>\$70,812</b>
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## **Duties and Responsibilities of the Hawaii Tourism Authority**

Under Chapter 201B, HRS, the HTA is authorized to:

- Create a vision and develop a long range plan for tourism in Hawaii;
- Develop, coordinate, and implement state policies and directions for tourism and related activities taking into account the economic, social, and physical impacts of tourism on the state and its natural resources infrastructure; provided that the authority shall support the efforts of other state and county departments or agencies to manage, improve, and protect Hawaii's natural environment and areas frequented by visitors;
- Develop and implement the State tourism strategic marketing plan, which shall be updated every three years, to promote and market the state as a desirable leisure and business visitor destination;
- Have a permanent, strong focus on marketing and promotion;
- Conduct market development-related research as necessary;
- Coordinate all agencies and advise the private sector in the development of tourism-related activities and resources;
- Work to eliminate or reduce barriers to travel in order to provide a positive and competitive business environment, including coordinating with the Department of Transportation on issues affecting airlines and air route development;
- Market and promote sports-related activities and events;
- Coordinate the development of new product lines with the counties and other public and private sectors including the development of sports, culture, health, education, business and eco-tourism;
- Establish a public information and educational program to inform the public of tourism and tourism-related problems;
- Encourage the development of tourism educational, training and career counseling programs; and
- Establish a program to monitor, investigate, and respond to complaints about problems resulting directly or indirectly from the tourism industry and taking appropriate action as necessary.







